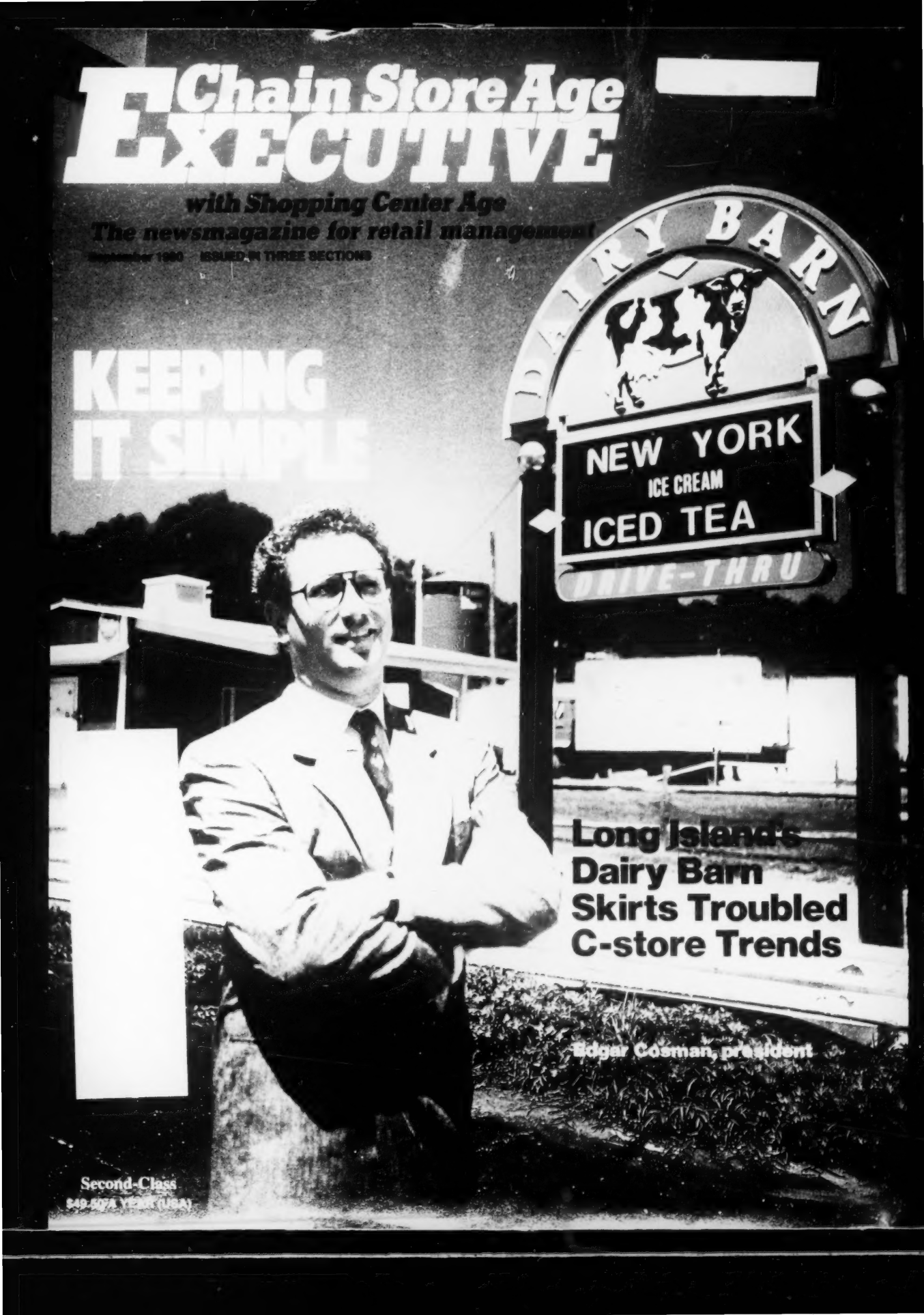
Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

September 1980 ISSUED IN THREE SECTIONS

KEEPING IT SIMPLE



Long Island's Dairy Barn Skirts Troubled C-store Trends

Edgar Cosman, president

Second-Class
$49.50/1 YEAR (USA)

CONTENTS

HIGH PERFORMANCE RETAILERS

One Price Clothing Stores is the leading High Performance Retailer, according to a financial analysis by Management Horizons and *Chain Store Age Executive*. The off-price women's apparel retailer, which operates 264 stores across the South, scored an impressively strong first-place finish, beating out some more familiar retail favorites. 31

DEPARTMENTS

Cover Story: Family-owned Dairy Barn, a chain of 59 drive-through convenience stores on New York's Long Island, is one of the few rays of hope for the C-store industry's future. 38

Lighting: Improvements in fluorescent-color rendering and efficiency have been accompanied by a downsizing of lamps and wattage. . . . 88

Human Resources: With the assistance of a $300,000 state of California grant, financially beleaguered National Lumber is training 180 first-line managers. 90

Store Design: Placewares' 1,900-sq.-ft prototype has a high-tech look that complements the vast array of home storage and organization products it sells. 92

Executive Forum: Employees hired with validated selection methods interact more perceptively, politely and competently. 96

Distribution: Safety and comfort are the top priorities at Rich's Department Stores' new distribution center. 98

Retail Watch: The Body Shop, at the leading edge of creating the "green" movement, may be the perfect retail concept for the 1990s. 104

Finance: Retailing is operating in an atmosphere of shrinking opportunity for mid-level managers. 108

July sales got a boost from promotions, but the sluggish economy may yet take its toll. 109

RETAIL TECHNOLOGY

Montgomery Ward cuts costs and POS transaction times with a new central computer system. 65

Electronic shelf labeling produces cost savings, says a Deloitte & Touche study. 70

Waldenbooks tries a PC-based POS terminal to boost book sales. . . 71

Quick Response requires simplified data collection. 80

On Line 82

New Products 84

SHOPPING CENTER AGE

Third-party management is becoming big business as real estate owners turn to established development companies to operate projects. . 43

Tennessee's stable economy and growing, affluent population is spurring development activity. 48

Shopping Center Age News . . . 52

Development Activity 58

On Center 61

SECTION TWO

Satellite communications: Increased reliance on telecommunications has led many retailers to choose the high network availability, low error rates and fast response times offered by VSAT networks.

SECTION THREE

Renovation: The slowdown in ground-up development puts a greater emphasis on making old centers new again.

From the Editor's Desk 14

Updates 18

Perspectives 25

New Products 106

Advertising Index 110

"Occasionally we feature children's and men's clothing, but this accounts for less than 10% of our business," says Jacobs.

Although One Price's typical customer is predominantly blue-collar, Jacobs says the chain appeals to anyone who is looking for value.

"We sell first quality merchandise that would typically sell in department stores and specialty stores for upward of $15," he adds.

One Price is able to offer discounted prices by buying large quantities of goods and odd lots. The company also buys merchandise later in the season than most other retailers. The buyers utilize more than 1,500 vendors.

After the goods are purchased, they are brought to the chain's 250,000-sq.-ft. distribution center. Merchandise is shipped to the stores via trucks once a week.

With few exceptions, One Price outlets are located in strip centers. "We have found that strip centers work best for us," says Jacobs. "They are convenient for our customers and easily accessible. We are not interested in paying the premium rents that go with a mall location."

With carpeted floors, plain walls and fixture racks, One Price stores feature a simple design. All stores are identical with charcoal gray interiors and six dressing rooms.

Expansion plans: One Price expects to close out 1990 with about 300 stores. Future plans call for 500 stores by the end of 1993. With stores in 10 states from Texas to Virginia, Jacobs believes there are no geographical constraints to the company's growth. This fall, One Price will open its first store in Ohio.

"We are no longer just a Southeastern company," Jacobs says. "Our plan is to gradually move up the East Coast."

To date, One Price's explosive growth has been fueled largely by word of mouth. The chain does no advertising except to announce new store openings. Jacobs sees no reason to deviate from that policy as the chain grows.

Jacobs seems confident that one-price retail will meet an enthusiastic response in the new targeted markets.

"We believe we have a great concept and we plan to stick with it," he says. "It's worked pretty well for us so far." ■

—Marianne Wilson

RANKING RETAIL CHAMPIONS

SOME UNFAMILIAR COMPANIES AMID THE VETERANS

To be a High Performance Retailer, a company must demonstrate sustained operational integrity. High performance retailing means that a company has mastered the art and science of selling by integrating customer responsive merchandising and service with advanced logistical and operational techniques.

"Few aspects of retail performance are more rewarding or more difficult to achieve than consistency," observes Daniel J. Sweeney, chairman and principal of Management Horizons, the Dublin, Ohio-based retail consulting arm of Price Waterhouse.

"To produce both high levels of growth and high levels of profitability, not just sporadically but consistently year in and year out, clearly marks a retail firm as an extraordinary enterprise.

"Such performance reflects not merely excellence in business operations, certainly something to be admired in itself, but also keen sensitivity to customer and competitor strategies and to superior human and organization management," says Sweeney.

***High Performance Retailers** must demonstrate sustained operational integrity.*

Retail performance is evaluated in five-year blocks, giving the High Performance Retail study both a one-time and a cumulative impact.

The one-time winner, One Price Clothing, achieved its designation based on the years 1985-89. Previous study periods cover 1984-88, 1983-87, 1982-86 and 1981-85.

Methodology: In preparing the analysis, Management Horizons reviewed all public retail companies and compiled median figures for the three measurements used. The cutoff date for release of fiscal year data for the comparisons was Aug. 8.

The medians for the current study were:

- ☐ Revenues growth: 13.66%
- ☐ Profit growth: 12.58%
- ☐ Return on assets: 4.94%

The median performances were then assigned an index value. Sales and earnings growths each received an index value of 50. Return on assets was weighted at double that value, or 100. The total retail performance index is the sum of the three indexes, or 200.

Each retail company's performance was indexed to the median. For example, One Price Clothing's compound revenue growth was 185%, which was 13.54 times the median compound revenue growth for all public retailers (185 divided by 13.66). Multiplying 13.54 by the index value of 50 gave One Price Clothing a revenue growth index of 677.

Similarly, the off-price apparel chain's compound profit was 9.76 times greater than the median, resulting in a [illegible] growth index of 488. Its ROA score of 26% came in 5.26 times ahead of the median. The ROA index is multiplied by 100, so One Price Clothing's ROA index was 526.

The company's total score was 1,691 against an industry index of 200.

First timer: One Price Clothing earned its top ranking in the first year that it achieved High Performance Retailer status. Eighteen other companies, significantly, have been able to place themselves on the elite list of retailing ventures in each of the previous years Management Horizons undertook the study.

The list of repeaters, or "stayers" in Management Horizon's nomenclature, includes the leading chains in virtually all retail fields: Wal-Mart, Price Club, The Limited, Toys "R" Us, Circuit City, Home Depot, Pep

TOP PERFORMING RETAIL COMPANIES

Company	Compound revenue growth	Revenue growth index	Compound profit growth	Profit growth index	ROA	ROA index	Retail Performance index
TOTAL RETAIL MEDIAN	13.66%	50	12.58%	50	4.94%	100	200
One Price Clothing Stores	185.0%	677	122.8%	488	26.0%	526	1,691
Williams-Sonoma	37.4	137	114.5	455	6.0	122	714
The Dress Barn*	32.2	118	46.6	185	18.6	377	680
Lands End	26.0	95	17.9	71	24.9	503	669
Trans World Music*	51.4	188	62.4	248	8.2	165	601
The Gap*	25.1	92	51.6	205	13.8	280	577
The Sharper Image	19.1	70	89.1	354	7.3	147	571
Claire's Stores*	27.9	102	24.2	96	17.3	351	549
The Computer Factory	70.5	258	39.0	155	5.3	107	520
The Home Depot*	44.6	164	51.3	204	7.5	152	520
The Limited*	28.1	103	30.2	120	14.2	288	511
Wal-Mart Stores*	32.2	118	31.7	126	12.1	244	488
Medicine Shoppe International	20.5	75	26.9	107	14.9	301	483
Best Buy	55.7	204	35.7	142	6.2	126	472
Spec's Music	21.9	80	39.8	158	11.4	231	469
The Price Co.*	34.2	125	32.5	129	10.6	214	468
Quality Food Centers	19.9	73	45.8	182	10.3	209	464
Circuit City Stores*	32.2	118	31.0	123	10.6	215	456
The Good Guys*	30.3	111	40.0	159	8.7	177	447
Ganlos*	30.6	112	47.6	189	7.2	145	446
Food Lion*	26.2	96	30.2	120	10.7	216	432
Arbor Drugs*	26.0	95	37.2	148	8.8	178	421
Merry-Go-Round Enterprises	24.9	91	17.9	71	12.7	256	418
Toys "R" Us*	23.0	84	23.7	94	10.1	205	383
Pier 1 Imports	24.3	89	34.0	135	6.5	131	355
Wolohan Lumber	14.5	53	33.0	131	7.6	154	338
Bruno's*	22.0	80	18.8	75	8.3	167	322
Hannaford Bros.	16.4	60	28.2	112	7.2	146	318
CUC International	41.0	150	13.8	55	5.3	107	312
Nordstrom*	22.7	83	23.2	92	6.7	135	310
Dillard Department Stores*	19.1	70	24.4	97	6.1	124	291
Pep Boys—Manny, Moe & Jack*	18.0	66	13.8	55	7.5	151	272
S&K Famous Brands	14.2	52	16.6	66	7.0	141	259

*Denotes "stayer" companies
Source: *Chain Store Age Executive*/Management Horizons

Boys—Manny, Moe & Jack.

Yet the uncertainties of the retail world have taken their toll on companies that previously had their positions locked up on the list of high performers.

Among the eight companies that failed to repeat on this year's list were five that had been on all previous lists. They include Charming Shoppes, Hechinger, Big B, Ames and Consolidated Stores, last year's top rated "stayer" company.

J. Baker, Inmac Corp., and TJX Cos. also vanished from the list.

In their places, seven newcomers: One Price Clothing, Williams-Sonoma, The Sharper Image, Medicine Shoppe International and Merry-Go-Round Enterprises.

During the course of the five years that Management Horizons has analyzed high performers, the number of qualifying retailers has varied from a low of 33 to a high of 61 during the first year of the study.

The variance is evidence both of the consolidation in the retail industry and the fewer number of retail companies that are publicly held.

The composition of the High Performance Retailers has changed slightly since the first study. Apparel specialty chains, consumer electronics stores (including computer outlets), and other hard lines chains have dominated the rankings.

Yet even in their domination there is a clearly apparent change in the field of top performers.

While the percentage of electronics chains remains fairly constant throughout the five years of the study, the raw numbers provide a different story. They have gone from 12 down to six.

Likewise, apparel chains numbered 12 in the first study, but only four this year.

Visible proof of the decline of the traditional discount store industry can been seen in the fact that only Wal-Mart is listed in the current study. Eight full-line discounters earned mentions in the first study five years ago.

On the plus side, the new list of high performers includes three mail order/retail store firms, compared to none when the study began. ■

JULY SALES SIZZLE FOR SPECIALTY STORES

BUT MIDEAST CRISIS MAY DIM FALL PROSPECTS

Good weather and promotions helped boost sales for the nation's largest retailers in July, particularly for specialty store chains, which continued to outperform the rest of the retail industry.

Industry analysts caution, however, that the Mideast crisis may dim prospects for retailing, and for the economy as a whole, in the coming months.

Apparel was the driving force behind sales growth in July. Many retailers said demand was high for new fall fashion lines. The Gap led specialty retailers with sales up a whopping 35.7% and comparable store sales up 28%. The Limited posted a 19.3% sales gain, with a same-store gain of 6%.

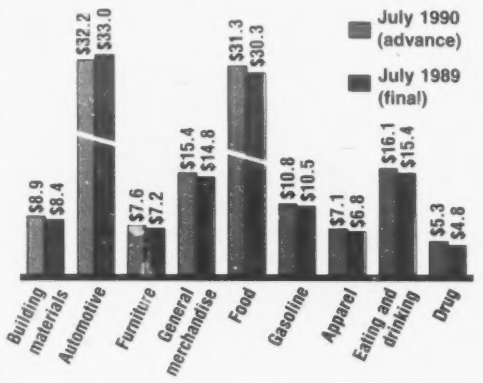
At Wal-Mart, sales gains were not as high as those of recent months, but still strong. They rose 21.4%, with a same-store gain of 8%.

The nation's two largest retailers, Sears and K mart, had modest gains. Sales at Sears gained 3.7%, an improvement over its 2.5% year-to-date increase.

K mart said its sales were up 12.1% in July. However, on a same-store basis, they increased only 2.2%.

JULY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

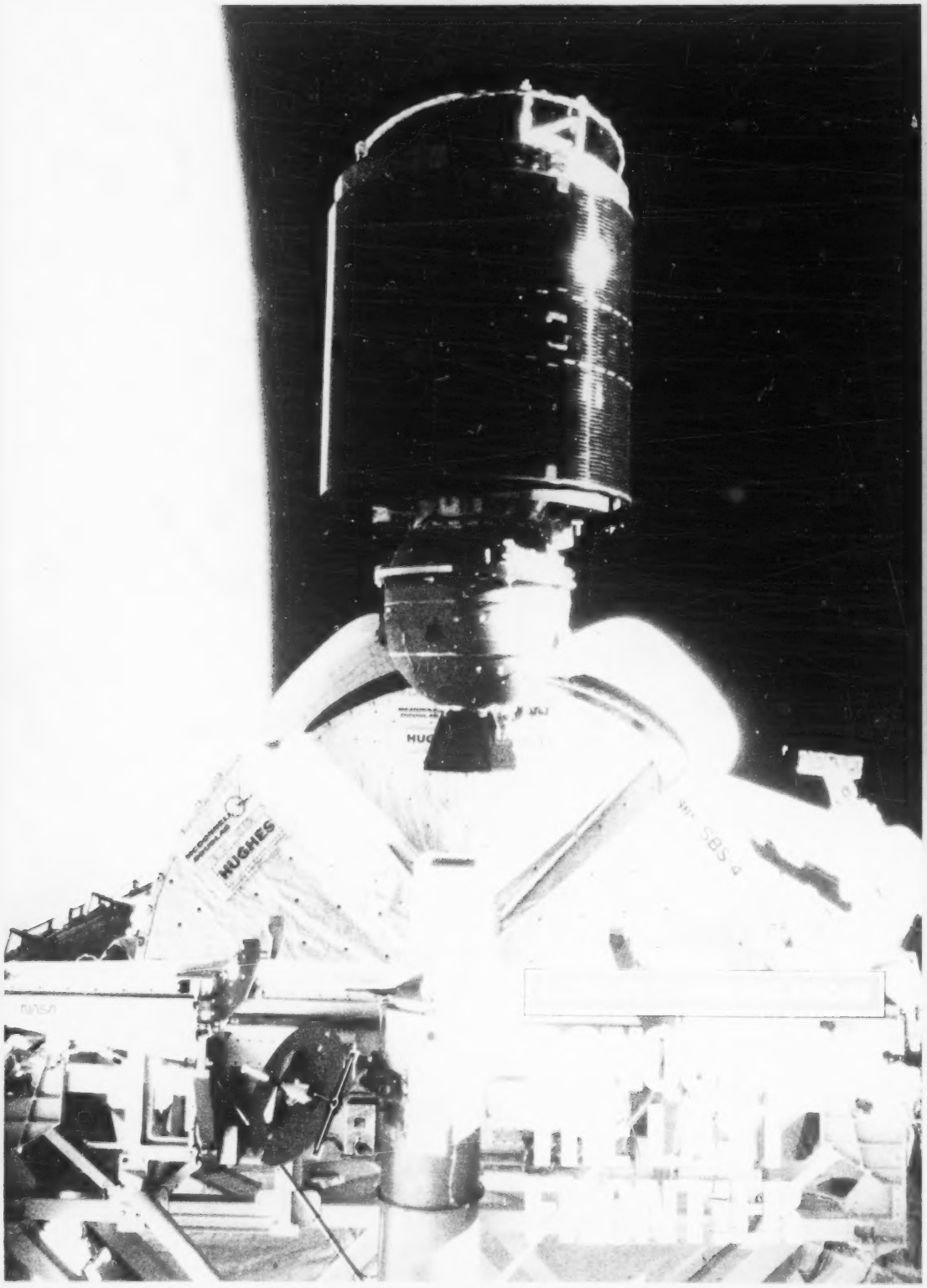
Company	July '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,520,196	+ 3.7	+ 3.1	$16,094,366	+ 2.5	+ 2.7
K mart	2,269,148	+12.1	+ 2.2	14,829,797	+12.4	+ 2.8
Wal-Mart	2,403,000	+21.4	+ 8.0	14,312,000	+25.3	+11.0
Penney	1,005,000	+ 3.2	+ 2.0	6,584,000	+ 4.4	+ 3.3
Dayton Hudson	934,000	+16.4	+ 4.4	6,150,000	+12.6	N/R
May	606,800	+ 9.8	+ 4.4	4,379,000	+ 9.8	+ 5.0
Melville[1]	554,075	+ 9.7	N/R	4,255,309	+11.2	N/R
Walgreen[1]	491,817	+12.0	+ 8.7	3,468,313	+12.5	+ 9.1
Woolworth	389,000	+ 8.7	+ 4.9	2,488,000	+ 8.6	+ 5.4
The Limited	348,900	+19.3	+ 6.0	2,262,000	+18.2	+ 8.0
Carter Hawley Hale	174,500	+ 0.9	+ 0.4	1,214,300	+ 0.7	+ 0.3
Mercantile	150,191	+ 1.1	+ 0.4	1,019,927	+ 2.1	+ 1.7
Circuit City[2]	183,900	+15.0	− 1.0	N/R	N/R	N/R
Hills	157,300	+22.0	+18.9	910,100	+ 9.9	+ 5.6
The Gap	114,000	+35.7	+28.0	807,000	+25.9	+19.0
Rose's	94,227	− 4.4	− 4.7	705,390	+ 4.5	+ 2.3
Neiman-Marcus Group[3]	116,000	+10.0	+ 6.6	N/R	N/R	N/R
Edison Bros.[1]	87,400	+22.6	N/R	520,900	+16.2	N/R
Jamesway	50,248	− 2.0	− 6.0	403,720	+11.0	+ 6.0
Ross	60,000	+13.0	N/C	193,000	+10.0	N/C
Dollar General	48,500	+ 8.0	+ 3.8	284,100	+ 3.1	+ 1.5
Best Buy[4]	55,000	+25.0	+ 5.0	181,000	+21.0	N/R
Gottschalks	19,008	+31.3	+12.7	113,991	+24.7	+12.3
Claire's	17,620	+49.0	+ 7.0	108,690	+50.0	+14.0

[1]fiscal year ends Dec. 31 [2]fiscal year ends Feb. 28 [3]fiscal year ends July 31 [4]fiscal year ends Mar. 31
N/R = not reported N/C = no change

Source: Company reports

Chain Store Age Executive (USPS 054-410; ISSN 0193-1199), is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022, on a contr[illegible]ed basis to qualified retailers, real estate and shopping center developers and operators, architects and design firms, and at $49.50 a year; outside U.S.A.: Canada $59.50 (U.S. $) a year; elsewhere $85 a year, air-mail only. Single copy price: $5. Second class postage paid at New York, NY, and additional mailing offices. Vol. 66, No. 9 Copyright © 1990 by Lebhar-Friedman Inc. All rights reserved.
POSTMASTER: Please send address changes to Chain Store Age Executive, Subscription Department, Grand Central Station, P.O. Box 3113, New York, N.Y. 10164-0659.

Chain Store Age
EXECUTIVE
September 1990, Section Two



LINKING UP WITH THE FACTS

VSAT PENETRATION IN THE RETAIL INDUSTRY

Retailer	Sites	Manufacturer
1985		
Wal-Mart	1,600	Hughes Network Systems
Southland	300	Hughes Network Systems
1986		
K mart	2,200	GTE Spacenet
1987		
Service Merchandise	350	Hughes Network Systems
Walgreens	1,670	Hughes Network Systems
Burlington Coat Factory	144	Contel ASC
Lowes	340	Contel ASC
1988		
Hartmarx	300	Hughes Network Systems
Supermarkets General/GTE	160	Hughes Network Systems
Home Depot	150	Scientific-Atlanta
Thrifty	810	Scientific-Atlanta
Farmland	250	AT&T/Tridom
Roses	50	AT&T/Tridom
Grossmans	*	AT&T/Tridom
Best	166	AT&T/Tridom
Child World	175	AT&T/Tridom
1989		
Ames	675	Hughes Network Systems
Target	430	Hughes Network Systems
Circuit City	170	Hughes Network Systems
Phar-Mor	220	Hughes Network Systems
American Drug/Osco	430	Hughes Network Systems
1990		
Herman Miller	310	Hughes Network Systems

*Cancelled

Source: *Chain Store Age Executive* research

To anyone old enough to remember "Echo" and "Telstar," the pioneering telecommunications satellites launched in the 1960s, the very thought of satellite communications still seems like science fiction.

Yet every time a customer charges a new television at Circuit City or fills a prescription at Walgreens or buys a bicycle at Child World, it's likely that some information about that purchase has been sent somewhere via a satellite network.

Increased reliance on telecommunications for all aspects of retail operations has created the need for the high network availability, low error rates and fast response time that satellite communication delivers.

Since 1985, when Wal-Mart and Southland were the first to install Ku-band VSAT satellite systems, more than 21 retail companies have linked over 11,000 locations via satellite.

VSAT systems (for Very Small Aperture Terminal), are communications networks that use Earth-orbiting satellites to transmit and receive data between a central point (usually a headquarters computing facility) and multiple locations (stores and warehouses, or even vendor sites).

The satellite system carries both synchronous and asynchronous data, along with voice and broadcast-quality video.

VSAT networks have a number of advantages over previous solutions:

- ☐ a small "dish" antenna that can be installed on a roof, even in crowded metropolitan areas,
- ☐ operation in the Ku-band frequencies, where there is still plenty of capacity,
- ☐ a blanket FCC license, which means that unlike earlier, C-band systems, each individual store site does not have to be licensed.

In retail companies, VSAT systems are frequently used for:

- ☐ POS polling,
- ☐ credit, debit and check authorization,
- ☐ insurance verification,
- ☐ Electronic Data Interchange,

Retailers Opt for Satellite Communications Networks

□ broadcast video and audio.

A VSAT system may be operated either as a privately-owned network supporting a variety of applications for a single user (a dedicated hub), or as a shared communications system where many applications are provided as a service to multiple subscribers (a shared hub).

Whether a retail company chooses to operate its own hub or share one with other users is a decision usually dictated by the number of locations it wants to link. Typically, smaller companies use shared hubs; larger companies operate their own.

Hartmarx, the men's tailored clothing retailer and manufacturer, has come up with a unique solution. Hartmarx operates its own hub, but sells excess capacity to other, smaller companies.

Many retail companies have turned to VSAT systems because of difficulties in dealing with multiple vendors and telephone companies.

Wal-Mart, for example, used nearly 400 local telephone operating companies before installing its satellite system. Of those, about 25 were small, rural companies that did not even offer touch-tone service.

With VSAT, Wal-Mart now uses a single vendor for data communication within its far-flung retail empire. Further, the discount chain gets end-to-end control of the network.

Rapid installation is another of VSAT's benefits. Sites can be added to a network quickly, without the need to contract with the local telephone operating company.

Wal-Mart, once it had installed a satellite hub at its Bentonville, Ark., headquarters, was able to bring 1,150 stores—many in remote areas—on line within nine months.

In new Wal-Mart stores, the satellite communications system is often fully operational before the local telephone company has installed its lines.

VSAT networks also offer near unlimited expansion in capacity—and capacity can be added in increments that enable support for new applications at a small incremental cost. The number of ports per site can be changed easily.

A VSAT system can be reconfigured without difficulty to accommodate changes in a company's operating environment and traffic load, with minimal impact on operations.

Reconfiguration can be accomplished entirely from a central site, relieving companies from the disruption and delay encountered in terrestrial networks that require the physical rerouting of lines.

Satellite systems, unlike terrestrial systems, provide better control over long-term communications cost. Since 90% of a VSAT network's cost is fixed, it is highly predictable. Retail companies can more accurately estimate the impact of expansion.

Terrestrial leased lines, in contrast, are subject to the volatility of the deregulated telecommunications environment, making it difficult to budget and control operating costs.

For many retail companies, however, the biggest benefit of a VSAT network is its fast response time and the positive impact quicker response has on customer service.

When Walgreens went on line with its satellite network, it saw response times drop from 8 or 9 seconds for interactive applications on its terrestrial network to only 3-3.5 seconds on the VSAT network.

Other common uses for satellite systems include: in-store music and advertising broadcasts, video training, and company news and policy updates.

In-store advertising has become a popular function, since it can actually turn the VSAT system into a profit center. Some retailers are recording profits of $200-$900 per store from in-store advertising messages communicated via the satellite network.

CONTENTS

How It Works: The technology behind VSAT communications. What's needed to operate a satellite network. Advantages of both dedicated hub and shared shared hub networks.

6

How Much It Costs: The economics of VSAT compared to other telecommunications alternatives. Costs and payback periods for dedicated hub and shared hub networks.

8

User Profile: How Target, Dayton Hudson's $7.5 billion discount division, has implemented satellite communications technology.

12

VSAT's Future: New uses for satellite technology. Retailers find innovative uses for VSAT: EDI, music, training and video conferencing.

14

Glossary: Common VSAT and management information services terms, abbreviations and acronyms.

16